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Key Aspects of Finance: From Financial Management to Capital Markets

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Abstract

This article presents a comprehensive literature review on various aspects of finance. The main focus of this article is on financial management and capital markets. The goal is to provide a better understanding of theory, practice and recent developments in finance. This article contains a review of various theoretical sources and relevant empirical research.

Keywords: *Financial management, capital market, finance*

INTRODUCTION

Finance is a broad and important field in the world of business and economy. For both companies and individuals, a good understanding of the main aspects of finance is essential to effectively manage financial resources and make smart investment decisions. (Muslih & Marbun, 2020). In this context, financial management and capital markets play a key role in managing financial resources, making investment decisions and allocating capital.

The company's financial management is one of the main aspects of finance. This includes managing the company's financial resources, including capital management, liquidity management, and making smart investment decisions (Mathematics, 2016). The company's financial management focuses on managing the company's assets and liabilities so as to increase shareholder value. The main objective of financial management is to achieve the company's financial goals by maximizing the value of the company and optimizing the use of available financial resources.

In financial management, companies must consider various factors such as risk, liquidity, profitability and growth in making the right financial decisions. For example, a company must select suitable sources of funding for its investment projects, whether through external financing such as loans or through internal financing such as reinvested earnings. In addition, the company must also monitor and control its financial performance on a regular basis so that it remains in line with the financial goals that have been set.

In addition to corporate financial management, the capital market is also an important financial aspect. The capital market is a place for buying and selling financial instruments such as stocks, bonds and derivatives. This allows the company to raise funds through the sale of shares to the public and investors to participate in the company's growth and earn a return on investment. (Widiastoeti et al., 2021).

The capital market has a vital role in determining the price of financial assets and providing investors with relevant information to make investment decisions. In the capital market, the concept of market efficiency becomes important, where asset prices are correctly reflected based on all available information. This encourages investors to perform fundamental and technical analysis to predict stock price movements and other financial instruments.

In a broader view, the main aspects of finance also include investment, project financing, financial risk management and portfolio management. Investment includes allocating funds to financial instruments with the expectation of obtaining favorable returns in the future. Project financing relates to raising funds for business or infrastructure projects through external or internal financing. Financial risk management involves identifying, evaluating and managing financial risks that may affect the company's financial performance (Pratiwi et al., 2023). Portfolio management involves diversifying investments to reduce risk and achieve desired financial goals.

Furthermore, investment is a crucial aspect of finance. Wise investment decisions can affect the long-term success of a company or an individual's investment portfolio. The literature review on investing includes portfolio theory, investment strategy, fundamental analysis, and technical analysis. In this regard, market efficiency and risk evaluation are also important parts of the literature review on investment aspects.

In addition, financing is an aspect that is no less important in finance. Financing involves decisions about how the company will obtain funds to finance business operations and growth (Wahyuandari et al., 2022). In this literature review, the differences between equity and debt financing will be clarified, and the factors influencing corporate financing decisions will be studied. In addition, the review will also address working capital decisions related to inventory management, accounts receivable, and accounts payable.

Financial risk is an inseparable aspect of financial activities. The literature review will focus on financial risk management, including risk identification, risk evaluation, and risk mitigation (Mahmudah, 2020). This includes market risks, such as interest rate risk, currency risk, and share price risk. An understanding of financial risks and approaches to managing them will help companies and investors reduce the negative impact of risks and maintain their financial stability.

In this literature review, we present a comprehensive understanding of the main aspects of finance, from corporate financial management to capital markets. Researchers explore related theories, best practices, and recent developments in this field. Through a better understanding of these aspects, it is hoped that readers will be able to improve their knowledge and skills in managing finances effectively and making smart investment decisions.

Through this comprehensive literature review, it is hoped that readers will gain a better understanding of theory, practice and recent developments in finance. By paying attention to key aspects such as corporate financial management, investment, financing, financial risk and capital markets, we can optimize the management of financial resources and make effective investment decisions. Follow-up research and practical application of the findings in this literature review can make a significant contribution to the world of finance as a whole.

Lastly, a review of the literature on the main aspects of finance explains also explores the capital market. The capital market provides a platform for companies to raise capital and for investors to invest in financial instruments such as stocks, bonds and mutual funds. This study will discuss market efficiency, portfolio theory, and investment instruments available in the capital market.

LITERATURE REVIEW

A. Finance

Finance is a field that involves managing financial resources effectively, making smart investment decisions, and understanding the capital markets (Zhou et al., 2020). In this context, there are several main aspects of finance that are very relevant and important to understand. Some of these main aspects, ranging from corporate financial management to the capital market. Through an in-depth understanding of these aspects, individuals and companies can better manage their finances and make wiser decisions.

1) Corporate Financial Management

Corporate financial management involves managing the company's financial resources with the aim of achieving short-term and long-term financial goals (Puti Siswandari, 2013). Several important aspects of company financial management include:

a) Financial Planning: Financial planning is the process of setting a company's financial goals and developing a strategy to achieve them. This involves setting a budget, projecting income and expenses, and planning working capital.
b) Investment Decision Making: Investment decision making involves assessing potential investment projects to determine the most profitable decision for the company. This involves analyzing risks, calculating the time value of money, and choosing decision-making criteria.
c) Corporate Financing: Corporate financing relates to the sources of funds used by companies to finance operational and investment activities. This includes choosing between equity and debt financing, as well as decisions about the optimal capital structure.
d) Financial Control: Financial control includes monitoring and controlling the company's financial activities to ensure compliance with established policies and procedures. This involves budget oversight, internal auditing, and evaluation of financial performance.

2) Investment

Investment is an important aspect of finance which involves allocating funds to financial instruments with the hope of obtaining favorable returns in the future. Several relevant aspects of investment include:

a) Portfolio Theory: Portfolio theory involves diversifying investments to reduce the risks associated with a single investment. This includes proper asset allocation, risk-reward assessment, and determining the optimal combination of investments.

b) Investment Strategy: Investment strategy involves different approaches in making investment decisions. This can include fundamental analysis, technical analysis, or other approaches based on the goals and preferences of the investor.
c) Investment Risk Management: Investment risk management involves identifying, evaluating and managing risks associated with investments. This includes risk management strategies, portfolio diversification, and the use of derivative instruments to protect investment value.

3) Financing

Financing relates to the source of funds used by individuals or companies to meet their financial needs. Some relevant aspects of financing include:

a) Sources of Funding: Sources of financing can come from bank loans, venture capital, issuance of stocks, bonds or other sources of financing. Selection of the right source of financing can affect the cost of financing and the company's capital structure.
b) Financing Feasibility Analysis: A financing feasibility analysis involves an assessment of the finances and risks associated with the proposed financing. This includes analysis of financial ratios, cash flow projections, and evaluation of market and industry conditions.
c) Debt Management: Debt management involves managing the debts owned by individuals or companies. This includes managing interest and principal payments, negotiating debt conditions, and controlling debt to keep it within bearable limits.

4) Financial Risk

Financial risk relates to the uncertainty associated with financial decisions and business activities. Several relevant aspects of financial risk include:

a) Risk Identification: Risk identification involves identifying threats and potential losses that can affect the company's financial performance. This includes market risk, credit risk, operational risk and other risks.
b) Risk Evaluation: Risk evaluation involves an analysis of the level of risk and its impact on the company's financial performance. This includes the use of methods such as sensitivity analysis, scenario analysis, or the use of mathematical models such as Value-at-Risk (VaR).
c) Risk Mitigation: Risk mitigation involves taking actions to reduce the identified risks. This includes the use of derivative instruments, insurance, portfolio diversification, or other management measures to reduce the risks that may arise.

5) Capital market

The capital market is a place for buying and selling financial instruments such as stocks, bonds and derivatives (Sujono & Nugroho, 2023). Several relevant aspects of the capital market include:

a) Market Efficiency: Market efficiency involves understanding how the price of an asset is accurately reflected based on all the information available in the market. Market efficiency can have an impact on investment strategy and decision making in the capital market.
b) Types of Financial Instruments: The capital market includes various types of financial instruments such as stocks, bonds, mutual funds, options, futures, and

so on. Understanding the characteristics and workings of each instrument is important in making investment decisions.

c) Capital Market Regulation: The capital market is regulated by various institutions and authorities that aim to maintain integrity, transparency and fairness in the market. Understanding capital market regulations helps individuals and companies comply with the rules and protect their interests as investors.

3. Research methods

To carry out this literature review, the researcher conducted a thorough search through academic databases and other relevant sources. Researchers use keywords such as financial management, investment, financing, financial risk, and capital markets to identify relevant articles. The researcher selects articles published within a certain time period, from 2010 to 2023. After the initial selection, the researcher screens the articles based on their relevance and quality.

In order to present a comprehensive literature review on the main aspects of finance, including financial management to capital markets, the researcher uses the following approach:

a. Identify Key Topics and Aspects: First, we identify key topics and aspects in finance that are relevant to include in our literature review. These topics cover corporate financial management, investing, financing, financial risk, and capital markets. We consider the importance, relevance and relevance of each of these aspects in a financial context.
b. Literature Search: After identifying the main topics and aspects, we conduct a comprehensive literature search through various sources such as academic databases, financial journals, textbooks and other related publications. We used relevant keywords such as "financial management," "investing," "financing," "financial risk," and "capital markets" to search for suitable articles and resources.
c. Selection and Screening: After carrying out a literature search, we screened relevant articles based on certain criteria. These criteria include relevance to the specified topic, the quality of the research methodology, the novelty of the information presented, and the quality of the publication. We select articles published within the specified timeframe, taking into account the latest developments in the financial sector.
d. Analysis and Synopsis: After the initial selection, we carefully read and analyze each article. We note the main findings, key concepts, theories, and empirical findings presented in each article. We also pay attention to the differences in approaches, perspectives, and emphasis that may emerge from the selected articles.
e. Compilation of Literature Review: Based on the analysis and synopsis that has been done, we compiled a comprehensive literature review. We organize articles by topic and main relevant aspects. We link and organize information from various articles to provide a thorough understanding of the main aspects of finance. This literature review includes explanations of theory, best practices, and recent developments in the relevant fields of finance.
f. Review and Improvement: After compiling the literature review, we perform repeated reviews and improvements to ensure the completeness, consistency, and

accuracy of the information presented. We also ensure that the literature review reflects a comprehensive understanding of the main aspects of finance.

By using the method described in the previous paragraph, the researcher is able to present a comprehensive and detailed literature review on the main aspects of finance, from corporate financial management to capital markets. This literature review provides an in-depth understanding of the theories, best practices, and recent developments in the relevant fields of finance

RESULTS AND DISCUSSION

A. Results

1. Company Financial Management:
    - Financial Performance Assessment: researchers reviewed various methods used to assess a company's financial performance, such as financial ratio analysis, cash flow analysis, and analysis of mergers and acquisitions.
    - Dividend Policy: researchers review theory and empirical evidence regarding company dividend policies, including the factors that influence dividend payout decisions.

2. Investment:
    - Portfolio theory: researchers discuss portfolio theory which is the basis for efficient investment management, including diversification, risk-free assets, and risk-return relationships.
    - Investment Strategy: researchers identify and analyze various investment strategies that can be used by investors, such as fundamental analysis, technical analysis, and value investing.
3. Financing:
    - Equity and Debt Financing: the researcher examines the differences between equity and debt financing, as well as the factors influencing a company's financing decisions.
    - Working Capital Decisions: the researcher examines the management of a company's working capital, including the management of inventories, accounts receivable, and accounts payable.
4. Financial Risk:
    - Financial Risk Management: researchers reviewed the risk management approaches used in companies, including risk identification, risk evaluation, and risk mitigation.
    - Market Risk Management: researchers discuss market risks, such as interest rate risk, currency risk, and stock price risk.
5. Capital Market:
    - Market Efficiency: researchers discuss the concept of market efficiency and review various theories and empirical evidence for or against market efficiency.
    - Capital Market Investment: researchers discuss various investment instruments available in the capital market, such as stocks, bonds and mutual funds.

B. Discussion

1) Company Financial Management

Corporate financial management is a major aspect of finance that involves managing the company's financial resources. In corporate financial management, there are several aspects that need attention.

a) Financial Planning: Financial planning is the first step in the financial management of a company. In financial planning, companies set short-term and long-term financial goals and develop strategies to achieve them. This involves setting a budget, projecting income and expenses, and planning working capital. With good financial planning, companies can direct their financial resources effectively and efficiently.

b) Investment Decision Making: Investment decision making is an important aspect of the financial management of a company. In making investment decisions, companies evaluate potential investment projects to determine the most profitable decision. This involves risk analysis, calculating the time value of money, and selecting decision-making criteria (Nugroho, 2018). By making smart investment decisions, companies can optimally allocate their financial resources and optimize investment returns.

c) Corporate Financing: Corporate financing is an important aspect of financial management. Corporate financing relates to the source of funds used by the company to finance operational and investment activities. Selection of the right source of financing can affect the cost of financing and the company's capital structure. Companies can choose between equity and debt financing, and determine the optimal capital structure that suits the company's needs and goals.

d) Financial Control: Financial control is an important aspect in the financial management of a company. Financial control includes monitoring and controlling the company's financial activities to ensure compliance with established policies and procedures. This involves budget oversight, internal auditing, and evaluation of financial performance. With effective financial control, companies can minimize risk, ensure efficient use of financial resources, and ensure compliance with applicable rules and regulations.

2) Investment

Investment is a major aspect of finance which involves allocating funds to financial instruments with the hope of obtaining favorable returns in the future. In investing, there are several aspects that need attention.

a) Portfolio Theory: Portfolio theory involves diversifying investments to reduce the risks associated with a single investment. In portfolio theory, investors allocate their funds to various financial instruments with the aim of achieving a balance between risk and expected return (Kurniadi, 2021). Portfolio diversification can be done through proper asset allocation, risk-reward assessment, and determining the optimal investment combination. By applying portfolio theory, investors can minimize risk and maximize potential returns on their investments.

b) Investment Strategy: Investment strategy involves different approaches in making investment decisions. Various investment strategies such as fundamental analysis, technical analysis, or approaches based on the goals and preferences of investors can be used. Fundamental analysis involves an assessment of the fundamental condition of a company or financial instrument which involves analysis of factors such as financial performance, business prospects and economic factors. Technical analysis, on the other hand, involves using historical price charts and technical indicators to make investment decisions. By using the right investment strategy,

c) Investment Risk Management: Investment risk management is an important aspect of investing. Investment risk management involves identifying, evaluating and managing risks associated with investments. This involves the use of risk management strategies, portfolio diversification, and the use of derivative instruments to hedge investments (Nugroho et al., 2021). With good risk management, investors can protect their portfolio from unwanted market fluctuations and minimize potential losses.

3) Financing:
Financing relates to the source of funds used by individuals or companies to meet their financial needs. In financing, there are several aspects that need attention.

a) Sources of Funding: Sources of financing can come from various sources such as bank loans, venture capital, issuance of stocks, bonds or other financing sources. Choosing the right source of financing is very important, because it will affect the cost of financing and the company's capital structure. Appropriate financing can also help meet financial needs effectively.

b) Financing Feasibility Analysis: A financing feasibility analysis involves an assessment of the finances and risks associated with the proposed financing. This includes analysis of financial ratios, cash flow projections, and evaluation of market and industry conditions (Binangkit et al., 2017). By conducting a careful financing feasibility analysis, individuals or companies can assess whether the financing is feasible and feasible.

c) Debt Management: Debt management involves managing the debts owned by individuals or companies. This includes managing interest and principal payments, negotiating debt conditions, and controlling debt to keep it within bearable limits. With good debt management, individuals or companies can maintain financial health and avoid serious financial problems.

4) Financial Risk
Financial risk relates to the uncertainty associated with financial decisions and business activities. In financial risk, there are several aspects that need attention.

a) Financial risk relates to the uncertainty associated with financial decisions and business activities. In financial risk, there are several aspects that need attention (Nugroho & Pristiana, 2021). These risks may include market risk, credit risk, operational risk and other risks. By correctly identifying risks, companies can take steps to manage and reduce risks that may arise.

b) Risk Evaluation: Risk evaluation involves an analysis of the level of risk and its impact on the company's financial performance. This involves using methods such as sensitivity analysis, scenario analysis, or the use of mathematical models such as Value-at-Risk (VaR). By conducting a comprehensive risk evaluation, companies can understand the level of risk they are facing and take appropriate action.

c) Risk Mitigation: Risk mitigation involves taking actions to reduce the identified risks. This could include the use of derivative instruments, insurance, portfolio diversification or other management actions (Astutik et al., 2022). By carrying out effective risk mitigation, companies can reduce the negative impact of financial risk and protect their financial performance.

5) Capital Market

The capital market is a place for buying and selling financial instruments such as stocks, bonds and derivatives. In the capital market, there are several aspects that need attention.

a) Market Efficiency: Market efficiency involves understanding how the price of an asset is accurately reflected based on all the information available in the market. Market efficiency can have an impact on investment strategy and decision making in the capital market (Nugroho et al., 2020) . High market efficiency can reduce profit opportunities from information that has not been widely published, so investors need to consider this in making investment decisions.

b) Types of Financial Instruments: The capital market includes various types of financial instruments such as stocks, bonds, mutual funds, options, futures, and so on. Understanding the characteristics and workings of each instrument is important in making investment decisions. Investors need to understand the risks and potential returns associated with each financial instrument before making an investment.

c) Capital Market Regulation: The capital market is regulated by various institutions and authorities whose aim is to maintain integrity, transparency and fairness in the market. Capital market regulations include regulations on information disclosure, restrictions on insider trading, corporate governance, and investor protection. Understanding capital market regulations helps individuals and companies comply with the rules and protect their interests as investors.

CONCLUSION

Key aspects of finance, from corporate financial management to capital markets, play a critical role in effective financial management and making smart investment decisions. Understanding and considering these aspects can help individuals and companies manage their finances well, reduce risk, and achieve the desired financial goals. With an in-depth understanding of the main aspects of finance, we can enhance our skills and knowledge in managing finances effectively and being successful in financial markets. Researchers provide a better understanding of various aspects of finance, including corporate financial management, investing, financing, financial risk, and capital markets. So this research, describes the latest developments in the field of finance and presents relevant theories and empirical evidence. It is hoped that future researchers will be able to carry out further research to explore these topics in depth and relate them to real practices in the financial world.

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